

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-13 ISO-00 AGRE-00 FEA-01 CEA-01

CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15

STR-04 ITC-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01

/110 W

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R 031012Z DEC 76

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 7610

INFO USMISSION EC BRUSSELS

USDEL MTN GENEVA

USMISSION GENEVA

UNCLAS PARIS 35760

E.O. 11652: N/A

TAGS: EAGR ETRD FR

SUBJECT: COGNAC

1. GOF FOREIGN TRADE MINISTER, ANDRE ROSSI, ASKED  
AMBASSADOR TO CALL ON HIM FOR A DISCUSSION OF COGNAC.  
ROSSI SAID GOF HAD INSTRUCTED HIM TO CONVEY UNHAPPINESS  
OVER OUR ACTION IN RAISING DUTY ON COGNAC. HE  
MADE FOLLOWING POINTS. GOF CONSIDERED COGNAC DUTY  
SINCE 1974 AS FIXED IN CONTEXT EC-US NEGOTIATION  
UNDER GATT ARTICLE XXIV:6. THEREFORE U.S. ACTION WAS  
UNILATERAL AND DISCRIMINATORY. IT AFFECTS PRIMARILY  
THE TWO PRODUCING DEPARTMENTS BUT IS A MATTER OF CON-  
CERN THROUGHOUT FRANCE BECAUSE OF THE IDENTIFICATION  
OF COGNAC AS A PECULIARLY FRENCH PRODUCT. THE TIMING IS  
-BAD BECAUSE FRANCE HAS PURCHASED AN EXCEPTIONAL AMOUNT  
OF U.S. AGRICULTURAL PRODUCTS THIS YEAR DUE TO THE  
DROUGHT. ROSSI DESCRIBED THE FRENCH REACTION AS  
EMOTIONAL. THE GOVERNMENT MUST RESPOND TO A PARLIAMEN-  
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TARY QUESTION,AND ROSSI ADDED SEVERAL SENATORS HAD

CALLED ON HIM TO EXPRESS THEIR CONCERN. HE SAID WE COULD EXPECT A BAD PRESS. HE WAS SORRY WE COULD NOT FIND A SOLUTION, ESPECIALLY SINCE FRANCE HAD SHOWN GOOD WILL AND MADE A SERIOUS EFFORT IN BRUSSELS TO HELP THE U.S. WITH ITS TURKEY PROBLEM. HE HOPED WE COULD AT LEAST DELAY APPLICATION OF THE NEW MEASURES. AS A MORE GENERAL POINT, ROSSI SAID HE FELT THE ACTION ON COGNAC REFLECTED STRONG PROTECTIONIST PRESSURES IN THE U.S. AND CITED EUROPEAN CONCERN OVER SPECIALTY STEEL, SHOES, AND AUTOS.

2. THE AMBASSADOR ALSO REGRETTED THAT WE WERE UNABLE TO FIND A SOLUTION, BUT WE HAD BEEN DISAPPOINTED BY THE EUROPEAN COMMUNITY'S ATTITUDE ON POULTRY. HE POINTED OUT THAT OUR REDUCTION IN DUTIES IN 1974 WAS A UNILATERAL ACTION IN THE HOPE WE WOULD RECEIVE IMPROVED ACCESS TO THE EC POULTRY MARKET. THE CURRENT DUTY INCREASE DOES NOT RESTORE DUTIES TO THE PRE-1974 LEVELS, YET DURING THE PAST TWO YEARS EFFECTIVE PROTECTION BY THE EC ON POULTRY HAD INCREASED SUBSTANTIALLY. THE EFFECTIVE DATE FOR THE NEW DUTIES WAS FIXED AT DECEMBER 26 WHICH WOULD ALLOW MAXIMUM SALES BEFORE CHRISTMAS. THE AMBASSADOR UNDERLINED POINT THAT CHANGE IN COGNAC DUTY SHOULD NOT BE SEEN AS REPRESENTING ANY CHANGE IN U.S. LIBERAL TRADE POLICY. THERE ARE PROTECTIONIST PRESSURES EVERYWHERE TODAY, AND THE AMBASSADOR SAID BOTH OUR GOVERNMENTS MUST WORK HARD TO CONTAIN THESE PRESSURES. WE BELIEVE WE HAVE BEEN RATHER SUCCESSFUL SO FAR, BUT OUR EFFORTS MUST CONTINUE.  
RUSH

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